



To: Houlihan, Damien[houlihan.damien@epa.gov]; King, John Paul[king.john@epa.gov]; Stein, Mark[Stein.Mark@epa.gov]; Cote, Mel[Cote.Mel@epa.gov]; Gaito, Danielle[Gaito.Danielle@epa.gov]; Webster, David[Webster.David@epa.gov]
From: Nelson, Eric
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Subject: News Headline: Closure of PSNH coal-fired plants could be costly

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News Text: CONCORD As a legislative committee prepares for its third meeting Wednesday on the future of PSNH's coal-fired power plants, the utility's owners expressed confidence that they will be able to recover costs associated with the plants even if the state orders them to be sold or shut down.

If consumers end up carrying most of the costs of divestiture, the impact on rates could be significant.

"We feel very confident from a legal perspective that the investments that we've made in the generation business in New Hampshire have served customers extremely well over the last decades and we feel highly confident that cost recovery there is unlikely to be an issue should the state decide to pursue divestiture, which is one of the options that they're considering," said James J. Judge, chief financial officer and executive vice president of Northeast Utilities, the PSNH parent company.

Judge was responding to a question from stock analyst Julien Dumoulin-Smith of UBS Investment Bank, in a quarterly earnings conference call on July 30.

Dumoulin-Smith asked NU executives about the coal-fired plants, and the proceedings that are under way in the state regarding their possible closure. "Could you perhaps help us think about the recovery on those investments ultimately depending on how this all hashes out in the state?" he asked.

"It isn't clear where the state goes in terms of this issue. I think there's probably going to be plenty of proceedings to assess the merits of PSNH retaining those plants," said Judge. "But in any event, we feel highly confident that the spending was prudent in the best interest of customers of New Hampshire."

For ratepayers, it could be *deja vu* all over again.

The last time PSNH was forced to divest power-producing assets was in 2000, when it agreed to sell the Seabrook Station nuclear power plant. The company floated bonds to cover much of those losses and the payment on those bonds was reflected in the "stranded cost" portion of the consumer's electric bill for the next 12 years.

The PSNH stranded cost recovery charge on a monthly bill is down to 0.272 cents/kwh, due mostly to the final payoff of the bonds issued 12 years ago. In 2001, as cost recovery began, the rate was 3.4 cents/kwh.

Just as those stranded costs are being paid off, and that portion of the bill is disappearing, a new restructuring settlement over the coal-fired plants could see the return of substantial stranded costs on the consumer electric bill.

Long line of critics

"The (analyst's) question and NU's response strongly suggest that the company was knowingly squandering ratepayer money by continuing to invest hundreds of millions in uneconomic and dying coal plants, with an expectation that they would recover both the investment and a profit," said Christophe G. Courchesne, a staff attorney with the Conservation Law Foundation in New Hampshire.

"It is both presumptuous and informative that NU would express to its financiers an expectation that New Hampshire regulators and the legislature will play along with NU's strategy to extract above market costs from New Hampshire to provide above market returns to Wall Street and its shareholders," he said.

The CLF is among the organizations scheduled to testify when the joint House-Senate Committee on Electric Utility Restructuring meets for the third time on Wednesday. The organization will join a long line of PSNH critics and competitors presenting during the morning portion of the hearing, including the Retail Energy Supply Association, Empower NH and the New England Power Generators Association.

PSNH will get its chance in the afternoon portion, when outgoing president Gary Long is scheduled to testify.

The committee is chaired by State Rep. David Borden, D-New Castle, chairman of the House Committee on Science, Technology and Energy. He said the recent report by the Public Utilities staff on the need for PSNH to get rid of the coal-fired plants served as a clear call to action.

There is a growing consensus that PSNH will have to unload the power plants, or it will continue to lose customers to competitors, he said. A decision on divestiture could be easier than determining how the costs will be distributed.

"That's the big question," he said. "Who's going to pay for it."

Keeping an open mind

Borden outlined a process by which the committee will first reach a decision on divestiture, and then on allocating the costs. "We'll try to keep our minds open until the end of the month," he said. "The tentative plan calls for a recommendation by the end of August."

Sen. Jeb Bradley, R-Wolfeboro, was around for the restructuring agreement more than a decade ago. He said the coal-fired plants are quite old and their value is mostly depreciated. The real issue is recovering the \$422 million in pollution controls at the Bow coal-fired plant that went online in late 2011 in compliance with state legislation passed in 2006.

"I wouldn't be surprised if the stranded costs that come from the scrubber might be a different issue than the stranded costs that come from the sale of the generation assets," said Borden. The \$422 million at stake in cost recovery for the scrubbers is eerily similar to the \$450 million at issue when the Seabrook nuclear power plant was sold.

"Obviously, if it gets very contentious, we've been in court before and will likely go to court again," said Bradley.
dsolomon@unionleader.com

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Eric P. Nelson

Ocean and Coastal Protection Unit

Unit Dive Officer

U.S. Environmental Protection Agency

New England Region

5 Post Office Square, Suite 100

Mail Code OEP06-1

Boston, MA 02109-3912

Phone: 617-918-1676

email: nelson.ericp@epa.gov